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Addendum

Contents

	Page
President's summary	2
Interdependence: Financialization and macroeconomic fragility in the global economy	2

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President's summary

Interdependence: Financialization and macroeconomic fragility in the global economy

(Agenda item 3)

1. The deliberations under this agenda item addressed the global macroeconomic situation against the background of chapters I and II of the *Trade and Development Report, 2015*. Seven years after the onset of the financial crisis, and against a backdrop of sluggish global aggregate demand, persistent income inequality and financial fragility, global trade and output growth remained subdued. The inadequate policy mix in advanced countries, coupled with a disruptive financial system that was biased towards short-term and speculative investments, risked creating asset bubbles and pushing these economies into secular stagnation. Other negative factors affecting developing countries included lower commodity prices, sharp capital flow reversals amid increased financial-market volatility and growing concerns about debt sustainability, in particular in the private sector. The current global economic situation meant that developing countries could not rely on exports alone to accelerate growth but needed to look to new drivers of growth in the form of a larger role to be played by domestic and regional markets. This was causing concern about the prospects of achieving the ambitious post-2015 development agenda.

2. Several speakers, including one regional group, said that, in a globally interdependent world, national economic policies needed to be consistent worldwide and short-term measures needed to be consistent with long-term objectives. While two delegations wondered what social forces could bring about the minimum international cohesion required for policy coordination, one panellist saw growing recognition that the paradigms underlying current economic policies were causing problems for all countries and that this could trigger the required fundamental rethinking.

3. Several delegations commended the UNCTAD secretariat for the sound analysis and policy recommendations in the background documentation on the global economic situation and their implications for developing countries. The analysis was insightful, thought provoking and painted an accurate picture. Several others said that the recommendations, in particular the need for tighter financial regulation, a reform of governance in international financial institutions and a more expansionary macroeconomic policy stance, were appropriate and relevant. Further, they called for a thorough discussion of the *Trade and Development Report, 2015* to be held at the sixty-second executive session of the Trade and Development Board in December 2015.